

# The Basics of Exporting Webinar An Exporting GPS

Presented by

U.S. Department of Commerce  
Global Automotive Team

July 15, 2009

11 AM Pacific / 2 PM Eastern / 8 PM CET

# Housekeeping Notes

- Send us your questions using the chat feature
- Speaker will solicit questions at the end of each topic
- Questions not addressed due to time constraints will receive personal answers via email
- All presentations will be made available after the webinar

# What is the U.S. Commercial Service

## THE U.S. COMMERCIAL SERVICE - TRADE PROMOTION UNIT OF THE U.S. DEPARTMENT OF COMMERCE

We help U.S. companies develop their international sales through our global network of the best international trade professionals in the world. This network is comprised of trade specialists in 107 U.S. cities and in more than 80 countries, who will work with your company to help you get started in exporting, or increase your sales to new global markets. Our services include:

- World class **market research** for many countries and industries.
- **Trade events** that promote your product or service to qualified foreign buyers, including trade missions, support at domestic or foreign trade shows, and webinars.
- **Introduction** to qualified foreign buyers and distributors through a range of tailored services.
- Channeling **trade leads** to your company.
- Assistance with **export finance** and increasing your awareness of **trade regulations**.
- **Counseling and advocacy** through every step of the export process.

To cater more effectively to industry- or regional-specific needs, Global Industry and Regional Teams were established to offer companies customized solutions. Global Industry Teams include automotive, aerospace, safety & security while Global Regional Teams are comprised of Europe, Asia-Pacific, ANESA and the Americas. Let us serve your interests and allow us to be your eyes and ears in the global arena.

# Global Automotive Team

## THE U.S. COMMERCIAL SERVICE - TRADE PROMOTION UNIT OF THE U.S. DEPARTMENT OF COMMERCE

The Global Automotive Team is a part of the U.S. Commercial Service that concentrates on the automotive industry. Our Global Automotive Team offers customized solutions that will help you enter new markets. Our latest new initiatives include the **Global Business Development Program**, the **Automotive Resource Guide**, and an **Jordan/Israel FTA Webinar** that highlights market opportunities. We will also bring buyer delegations to the **SEMA** and **AAPEX** shows in Las Vegas in November.

Last year, we helped 9,000 U.S. businesses make international sales worth over \$34 billion! For more information on how we can help you develop your international business, please view our website **USAutoTeam.org** or contact us after this webinar.

# The Myths

- It's a “get rich quick” proposition!
- It's easy!
- It's a way to write off foreign trips!
- You can export anywhere!
- You can't export, you're too small!

# Assessment -Why Export?

## ■ MAKE MONEY

- Increase sales and profits
  - » >96% of the world's population is outside the U.S.
- Method of survival
- Enhance competitiveness
- Reduce dependence on existing markets

# Why Export?

- In order for exporters to improve their chance to MAKE MONEY, the job boils down to:
  - *Identifying ALL the costs associated with exporting and, where possible, bake those costs into your price.*

# Assessing Your Company's Export Readiness

- Is management committed to the long-range goal of exporting?
- Are the expected benefits worth the cost or would the company resources be better used for developing new domestic business?
- Is exporting consistent with other company goals?
- Is the product “ready for export” or can it be made so?



# International Business Plan

- Company Objectives
  - Growth
  - Earnings
  - Commitment
- Identify Products
- Identify Customers

# International Business Plan

## ■ Analyze Competitors

- Price
- Market share
- Local manufacturers

## ■ Market Research

- Secondary-anything in media, print, CD ROM
- Primary-interview customers/representatives directly.

# International Business Plan

- Market Entry
  - Direct
  - Indirect
- Establish a Budget
- Create a Time Frame for Completion
- Pricing
  - Marginal Cost Pricing
  - Cost Plus Method
  - Ex Works Cost + Export Costs

# Regulations & Licensing Considerations

- EAR
- OFAC
- Export Licenses
- Sanctioned Countries
- Other Considerations

# Market Entry

- Two primary methods of entry
  - **Indirect**-use an intermediary
    - » Commissioned Sales Agent
    - » Export Management Company
    - » Export Trading Company
  - **Direct**-company arranges foreign sales directly to foreign entity
    - » Foreign Sales Representatives
    - » Foreign Distributors
    - » Direct Sales to End Users

# U.S. Department of Commerce Services

- Market Research
  - CCG, IMI, ISA etc.
- Trade Events
  - Trade missions, IBP, Trade Fairs, Catalog shows
- International Partners
  - Gold Key, BuyUSA, IPS, CNUSA, Trade Leads
- Consulting and Advocacy
  - Counseling, Consulting, Showtime

# Opportunities for New-To-Export Companies

- Eligibility: New-to-Export, New-to-U.S. Commercial Service
  - NTE defined as a US company who "has not exported anywhere in the world in the last 12 months, except for unsolicited orders or orders placed by US-based intermediaries“
- Benefits: One time reduced fee on featured services
  - GKS \$350      -IPS \$350
  - ICP \$350      -FUSE \$75

# Summary

- Assessing Export-Readiness
- International Business Plan
- Regulations and Licensing Considerations
- Market Entry Strategies & Tools



# Export Documentation

- Requirements Will Vary According to Country and Product
  - Shippers Export Declaration
  - Packing List
  - Certificate of Origin
  - Bill of Lading
  - Consular Invoice
  - Commercial Invoice
  - Inspection Certificate
  - Insurance Certificate (C.I.F. Shipments)

# INCO Terms

TERM	Cost of Goods Factory Door	Transport to Dock	Loading Onto Vessel	Ocean or Air Freight Charges	Shipping Insurance	Unloading Charges
EX-WORKS (EXW)	X					
FREE ALONG SIDE (FAS)	X	X				
FREE ON BOARD (FOB/FCA)	X	X	X			
COST + FREIGHT (CFR/CPT)	X	X	X	X		
COST + INS+ FREIGHT (CIF/CIP)	X	X	X	X	X	
EX-QUAY (DEQ)	X	X	X	X	X	X

# Risks of International Trade

- Commercial
- Political or Country
- Transit
- Currency Fluctuation
- Strikes, Riot, Civil Commotion
- War



# Methods of Payment

- Cash in Advance
- Letter of Credit
  - Irrevocable vs. Revocable
  - Sight vs. Time
- Documentary Collections
  - Cash Against Documents
  - Documents Against Acceptance
- Open Account

# Benefits of Export Credit Insurance

- Risk Mitigation
  - Commercial
  - Political
- Market Penetration
  - Increases competitiveness of exporter
- Access to Financing
  - Increases borrowing base

# Export Finance Needs

- Pre-shipment financing
  - Acquire/manufacture goods
  - Post bid/performance bonds
  - Pay market development costs
- Post-shipment financing
  - Provide supplier credit eg. Open account sale
  - Post warranty bonds

# Export Working Capital Program (EWCP)



***“A business should  
not lose a viable  
export sale due to  
lack of capital “***

# Use of Proceeds

- Acquire/produce goods or services for export,
- Accounts Receivable of such foreign sales
- Standby Letters of credit for bid or performance bonds



# Export Working Capital Program

## Indirect Exports

- Applicants who produce products or services that enter into the export channel but do not directly export their products are eligible
  - Manufacturers using an Export Trading Company
  - Suppliers to other domestic manufacturers who are in turn exporting the product

# Export Working Capital Program

## Features

- Supports single transactions or multiple transactions.
- Currently, no guaranty fee (Recovery Act Provisions)
- Max. SBA Exp/Amt. = \$ 1, 500,000/\$2,000,000
- No minimum U.S. content requirement.
- Can support sales to military buyers.
- Short turnaround time  $\leq 10$  days.
- Supports Standby L/Cs

# What Do We Look for?

- Exporter's ability to perform
- Purchase Order, L/C or signed contract
- Creditworthiness of foreign buyer
- Creditworthiness of exporter
- Terms of sale and method of payment

# EXPORT EXPRESS

- ◆ Streamlined application
- Fast turnaround
- Lender uses own forms
- 90% guaranty **\$250,000 maximum**
- Use of proceeds supports export activity

# SBA Export *Express*

## Use of Proceeds

- Export development activities such as marketing and trade shows
- Transaction specific financing such as production cost of labor, materials and overhead
- Revolving lines of credit for export purposes

# SBA Export *Express*

## Use of Proceeds

- Facilities or equipment to be used in the U.S. to produce goods or services for export
- Loan proceeds may not be used to finance overseas operations
- Lender must review Eximbank CLS to verify eligibility

# Trade Finance Success

- **Firm:** Up, Up & Away, Inc.
- **Product:** Meteorological instrumentation for weather data collection/analysis.
- **Situation:** Order from India \$1.8M. Currently involved in retrofitting 100 locations for US Gov't (USWS). Payment for Indian order by ILC drawn on State Bank of India.
- **Need:** Pre-shipment working capital to manufacture tracking equipment and instruments.
- **Solution:** A \$700K EWCP to support pre-shipment working capital needs.



# Trade Finance Success

- **Firm:** Thumb Tool & Die
- **Product:** Plastics processing machinery and strand pelletizing equipment.
- **Situation:** Order from China \$3.7M.
- **Need:** Pre-shipment working capital to support standby L/C and manufacture of equipment.
- **Solution: 2 loans:**
  - A \$500K EWCP to support Standby L/C- 18 months
  - A \$1.5M EWCP Co-Guaranteed by Eximbank- 1 year



# Pro Forma Invoice

- Quotation
  - Describes Product
  - States Price
  - Sets Time of Shipment
  - Specify Terms of Sale and Method of Payment
- Double Check for Accuracy
- Valid for a Specific Time Period

# For More Information

## **Natasha Keylard**

Global Automotive Team Leader  
U.S. Commercial Service  
Embassy of the United States of America  
Lange Voorhout 102  
2514 EJ The Hague  
The Netherlands  
Tel: +31-(0)70-3102279 Fax: +31-(0)70-3632985  
Email: [Natasha.Keylard@mail.doc.gov](mailto:Natasha.Keylard@mail.doc.gov)

## **Danielle Rust**

International Trade Specialist  
U.S. Export Assistance Center – Cleveland  
U.S. Department of Commerce  
600 Superior Ave. East, Suite 700  
Cleveland, OH 44114  
Tel: 216-522-4732 Fax: 216-522-2235  
Email: [Danielle.Rust@mail.doc.gov](mailto:Danielle.Rust@mail.doc.gov)

## **Phil Minard**

US Commercial Service – Charleston  
1362 McMillan Avenue, Suite 100  
North Charleston, SC 29405  
Tel: 843-746-3404 Fax: 843-529-0305  
Email: [phil.minard@mail.doc.gov](mailto:phil.minard@mail.doc.gov)

## **Patrick Hope**

Director  
U.S. Department of Commerce - The Commercial Service  
Rockford, Illinois U.S. Export Assistance Center  
at EIGERlab  
605 Fulton Avenue, Suite E103  
Rockford, IL 61103  
Tel: 815.316.2380 Fax: 888.628.2571  
Email: [patrick.hope@mail.doc.gov](mailto:patrick.hope@mail.doc.gov)

## **John O’Gara**

Regional Manager, Export Solutions Group  
U.S. Small Business Administration  
U.S. Export Assistance Center  
8109 E. Jefferson Ave., Suite 110  
Detroit, MI 48214  
Tel: 313-226-3670 Fax: 313 -226-3657  
Email: [jrogara@mail.doc.gov](mailto:jrogara@mail.doc.gov)